

ASEAN-US
Technical Assistance & Training Facility



PROJECT REPORT

Second Semi-Annual Report:
Companion Document to the Fourth Semi-Annual Work Plan



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Semi-Annual Report for the ASEAN-US Technical Assistance & Training Facility (Companion Document to the Fourth Semi-Annual Work Plan)

Introduction

This semi-annual report details activities completed and underway during the first year and a half of the ASEAN-US Technical Assistance and Training Facility (ASEAN-US Facility), with an emphasis on developments during October 2005-March 2006. The report tracks activities completed or launched to meet priority areas reflected in the ASEAN's current six- year plan of action, the Vientiane Action Programme (VAP), and progress during the last six months toward achieving performance indicators.¹

FACILITY RESULTS TO DATE

The ASEAN-US Facility provides technical assistance and training designed to strengthen the ASEAN Secretariat and ASEAN as an organization through implementation of VAP directives. The VAP contains goals and strategies toward realizing the ASEAN Security, Economic and Socio-Cultural Communities and narrowing the development gap. The ASEAN-US Facility reviewed the VAP directives or "indicators for success" and, in consultation with the Secretariat, prioritized those areas into the following ASEAN-US Facility core activity streams: ASEAN Sector Integration (textiles, information and communications technology (ICT), and healthcare), Investment, Customs and Trade Facilitation (ASEAN Harmonized Tariff Nomenclature, ASEAN Single Window, Rules of Origin, and Non-tariff Measures), Trade in Services, Trade Negotiations, Trade-related Coordination and Dialog, and Strengthened Secretariat Resources.²

Each ASEAN-US Facility activity stream and related performance indicators are directly linked to one or more VAP directive. The success of the ASEAN-US Facility will be gauged by its ability to facilitate progress in ASEAN's implementation of the VAP directives targeted by each activity stream. Although

¹ For more detailed descriptions of the ASEAN-US Facility background and specific activities for the first year see the project's semi-annual work plans and accompanying reports, monthly status reports, and Activity Technical Instructions.

² A key characteristic of the ASEAN-US Facility technical assistance and training activities is that they are demand-driven. Consequently, priority areas or "activity streams" can be expanded or contracted according to need as determined in consultation with the ASEAN Secretariat and approved by USAID through the established work plan development process. The work plan is updated on a semi-annual basis. The absence from this list does not indicate that any VAP directive is not a priority. This is simply the list of VAP directives where the ASEAN Secretariat and the ASEAN-US Facility have agreed the Facility should focus its work.

the primary concentration of the ASEAN-US Facility's work is on the ASEAN Economic Community pillar of the VAP, work in the economic area can have synergies with activities designed to promote the ASEAN Political and Socio-Cultural Communities and narrow the development gap between ASEAN-6 and the CLMV countries, the other pillars of the VAP. By bringing together ASEAN Member Country participants for training and technical assistance, the ASEAN-US Facility helps (a) promote understanding of political systems, cultures and histories of Member Countries through increased people-to-people contact (VAP section 1.1) ; (b) enhance human resource development through networking of skills and regional training institutions (VAP 3.2); and (c) promote an ASEAN identity through enhancing ASEAN standing in the international community through a proactive engagement of ASEAN in international trade and investment issues (VAP 3.4). Some of the Facilities activities, such as trade negotiations training, have provided focused assistance to the less developed ASEAN member countries (VAP 4.2).

During its first year and a half, the ASEAN-US Facility launched 51 activities, completed 21 activities and is scheduled to launch 31 more according to the Fourth Semi-Annual Work Plan. The Facility completed activities in six of its seven activity streams and discussions continue on the most appropriate approach to implement the Trade-related Coordination & Dialogue Activity Stream. Over 400 ASEAN Member Country and private sector representatives and Secretariat staff have benefited from ASEAN-US Facility training during the Facility's first year. Feedback from completed activities indicates that the work to date has contributed to progress in ASEAN's implementation of the VAP directives.

This report focuses on activity developments from October 2005 to March 2006, referring to activities already completed as needed for context. All activities completed prior to October 2005 are discussed in the *Semi-Annual Report – Companion Document to the Third Work Plan (November 2005)*.

SECTOR INTEGRATION ACTIVITY STREAM

Related VAP Directive

VAP section 2.1 states that the “acceleration of economic integration towards a single market and production base will begin with eleven sectors, selected on the basis of comparative advantage in natural resource endowments, labor skills and cost competitiveness, and value-added contribution to ASEAN's economy. These sectors are expected to “demonstrate that integration enhances competitiveness and thereby ASEAN's attractiveness as an investment destination.”

Activities

The ASEAN Secretariat and Member Countries have drawn up roadmaps for the regional integration of the initial eleven priority sectors. Recently a twelfth priority sector was added entitled “logistics” which encompassed measures that cut across all sectors. The ASEAN Secretariat requested the ASEAN-US Facility to make a “rapid assessment” of the roadmap and impediments to integration for the textile sector. This gave rise to the Textile & Apparel Product Sector Integration Activity Stream. When the

Secretariat requested a similar assessment of the Information and Communications Technology (ICT or e-ASEAN) sector, the ASEAN-US Facility initially added a second activity sector integration activity stream. After the Secretariat also suggested work on a third sector, healthcare, all sector integration work has been folded into a “Sector Integration Activity Stream.” Work that the Facility proposes to launch on the healthcare and logistics sectors are covered in the Fourth Semi-Annual Work Plan.

Textiles and Apparel Integration

The textile and apparel products sector is important for employment in ASEAN, particularly the Kingdom of Cambodia, Lao People’s Democratic Republic, the Union of Myanmar, and the Socialist Republic of Viet Nam (CLMV). Peter Minor of Nathan Associates produced the requested assessment of the ASEAN roadmap for integration of this sector. He discussed its preliminary conclusions with the ASEAN Federation of Textile Industries (AFTEX) and ASEAN investment officials. His presentation highlighted serious challenges that ASEAN’s textile and apparel products sector faces and recommended actions to be taken by public and private entities. The Executive Summary of the report was distributed at a February 24 Special Meeting of ASEAN Economic Integration for Textiles and Apparel and Rubber-Based Products. Many of the topics of that meeting were covered in the report, such as rules of origin, design, cooperation with the private sector, branding and marketing. At that meeting AFTEX agreed that the report would be included as documentation for the second phase of the integration roadmap.

Peter Minor’s assessment was finalized in January. His main conclusions follow:

The textile and apparel industries of ASEAN Member Countries have long provided high quality material and products to major markets, contributing nearly US\$20 billion in exports from the region and employing millions, including some of society’s most disadvantaged. The elimination of textile and apparel quotas in accordance with the WTO agreement on textiles and clothing is rapidly changing the world in which ASEAN Member Countries compete. To ensure that they maintain or advance their positions in world markets, ASEAN producers will need to integrate their regional supply chains. At present, supply chain integration among ASEAN Member Countries is limited—less than 10 percent of apparel manufactures’ materials are sourced from other ASEAN Member Countries. Ensuring that the industry adjusts and is able to use all of the region’s advantages will require undertaking a number of activities:

1. Implementing and advancing all areas of the VAP, including eliminating tariffs on textile and apparel products in the region, eliminating exclusion lists, and advancing phasing schedules for CLMV countries to achieve a duty-free zone for ASEAN textiles before 2010 for all ASEAN Member Countries.
2. Implementing electronic document systems and reducing the number of random checks required for ASEAN certified shipments (green lane provisions).
3. Promoting the use of ASEAN materials under the EU preference system.
4. Coordinating new regional FTA's to ensure that materials from the region can be used to maximum advantage.

5. Coordinating with banks and donor agencies, such as the World Bank and IFC, to increase investment in textile machinery and working with machinery manufactures to find new means for securing affordable financing.
6. (a) Coordinating and improving technical competencies in fabric innovation and apparel design; (b) training of factory management and supervisors to implement modern production control and workflow systems; (c) dying and finishing of fabrics to produce innovative sample fabrics with shorter lead times more economically; and (d) improving financing and marketing.
7. Promoting ASEAN products for use in the region by establishing two or more trade hubs with qualified staff for accelerating market linkages between ASEAN producers in different countries.

ICT Sector Integration

The ASEAN ICT Focus 2005-2010, ASEAN's current roadmap for ICT integration, highlights more than sixty different programs, projects, and/or activities. The Third Semi Annual Work Plan anticipated that a consultant would team with the ICT Unit of the Secretariat's Bureau of Finance and Integration Support to prioritize those undertakings and to facilitate their effective implementation. After further consultations with the Secretariat staff, this activity was postponed, pending findings of a World Bank study to be finalized by early April 2006. The ASEAN-US Facility could undertake a rapid assessment of the new roadmap and cover any gaps left by the World Bank study. The precise scope of this work would be defined by the ASEAN Secretariat, but one area it will certainly include is e-security (aka cyber security). The Third Semi Annual Work Plan also commits the Facility to undertake two follow on activities, one of which will be a training activity that aims to enhance cyber security in ASEAN communications.

Progress in Achieving Performance Indicators

The performance indicator for this activity stream is improvement in the integration road maps under Phase II. Specific measures would be the identification of specific impediments to realizing the roadmaps for sector integration, increased awareness of the significance of these obstacles, and concrete action programs to reduce these impediments. To date the textile assessment has fulfilled the first two measures by presenting specific actions necessary to overcome impediments to regional integration and dissemination of that information to the private sector and government officials.

INVESTMENT ACTIVITY STREAM

Related VAP Directive

Section 2.2 of the VAP requires ASEAN Member Countries to liberalize, facilitate, and promote investment in ASEAN, consistent with implementation of the ASEAN Investment Agreement (AIA).

Technical assistance and training provided by the ASEAN-US Facility under the Investment Activity Stream is designed to achieve these VAP objectives.

Activities

During the reporting period ASEAN's Coordinating Committee on Investment (CCI) requested a workshop on the successful Irish experience to help promote foreign direct investment. The consultants, John Lloyd, formerly of the Irish Industrial Development Agency (IDA), and Moira Creedon, previously with International Development Ireland, described the Irish approach to investment promotion. They outlined the context that made the Irish Development Authority effective – in particular the importance of a healthy investment environment (minimal barriers to investment) -- and the internal structural and operational characteristics that contributed to the Irish Development Agency's successful implementation of Irish industrial development policy. Peter Minor, Nathan Associates textile expert, also participated in the workshop, highlighting the need for active promotion of regional trade and investment in the textile sector for ASEAN to retain its world market share in textile and apparel exports.

The consultants presented a detailed description of the development of the Irish investment promotion model under four main headings: (1) policy and wider agency and government framework; (2) structures and role of the IDA - from policy advocacy to investor aftercare; (3) operational issues such as marketing and support tools; and (4) operational issues, such as human resource management. There was also a discussion of the reasons for the successful development of three key FDI sectors in Ireland: ICT, financial services, and pharmaceuticals.

Feedback from the audience was extremely positive. Participants welcomed the description of the history of the Irish model against a backdrop of very challenging economic and geographic conditions. Participants indicated that the content was relevant and useful. The range of experience of participants was very broad, inevitably affecting the degree to which certain topics could be absorbed. This was evident in both written and verbal feedback. For example, some country representatives perceived web tools as being unrealistic for them, whereas others expressed strong interest in such tools.

The emphasis of the workshop was primarily on the context for FDI promotion, i.e. the historical and policy background to the Irish success. Thus, it served primarily to alter attitudes and create a positive approach, in particular emphasizing the importance of the policy and political context rather than to transfer functional skills to participants. However, interaction with participants revealed that some had little experience with practical operations of investment promotion, such as how to identify and contact investors, how to present to investors, what to say in the first phone call, etc. Others were very experienced with a high degree of knowledge of international models and approaches.

Based on feedback from the CCI at the workshop and subsequent discussion with Secretariat staff, an already agreed activity has been refined. Consultants will assess the performance of ASEAN member countries with respect to the liberalization commitments under the AIA using indicators drawn from publicly available sources, notably the World Bank "Doing Business" databank. They will highlight the best practices at national

and sub-national levels. The study would also cover services that are important to support investment. The preliminary results of this study would be presented and discussed with the ASEAN Secretariat. The final study is intended to be used by the ASEAN Secretariat to report to senior officials, including Finance Ministers, on AIA implementation.

Progress in Achieving Performance Indicators

Performance indicators for this activity stream include increased liberalization, facilitation through improvement in the investment climate, and regional promotion of investment. The ASEAN-US Facility is measuring the degree of progress on these indicators through improvements recorded in the World Bank's "Doing Business" database, increased foreign direct investment inflows, and through semi-annual surveys of relevant Secretariat staff and our expert(s). Secretariat staff and our expert report that while the activities conducted under this activity stream were very useful with respect to these performance indicators, achieving significant progress will require continued effort. The Facility proposes additional activities in the Fourth Semi-Annual Work Plan.

CUSTOMS AND TRADE FACILITATION ACTIVITY STREAM

The Customs and Trade Facilitation Activity Stream covers border measures that can impede the flow of goods and services across borders within the ASEAN region, limiting the ability of ASEAN to develop a unified position in external trade. Customs measures were the initial focus of this activity stream that now is being widened to cover border information requirements of all government agencies (the Single Window), rules of origin (previously a separate activity stream), and non-tariff measures, including technical barriers to trade. Activities in these streams are cross-cutting and support work areas identified in the Sector Integration Activity Stream, including the new priority sector of "logistics."

ASEAN Harmonized Tariff Nomenclature (AHTN) Sub-stream

Related VAP Directive

Section 2.3.5.1 of the VAP specifies that customs integration will be carried out in seven core areas of customs administration: customs tariff classification; customs valuation; origin determinations; customs automation; customs clearance; temporary admission and customs transit. Technical assistance and training that the ASEAN-US Facility provides under the ASEAN Harmonized Tariff Nomenclature (AHTN) Sub-stream is designed to improve the integration and harmonization of customs tariff classification in ASEAN.

Activities

The AHTN Technical Review Committee (TRC) has been tasked to update and improve classification structures in the AHTN, to ensure uniform classification and codification, and to make the AHTN more accessible and more understandable to end users. Director Generals of ASEAN Customs Administrations intend to approve the final version in June 2006. Full implementation of the revised AHTN is expected in the first half of 2007.

A Nathan Associates consultant has served both as advisor and trainer for several AHTN TRC meetings, including those in November 2005 and February 2006. He contributed to improving existing AHTN texts, by helping to resolve classification questions that arose during the discussions and by providing advice on best international tariff nomenclature practices. The Chair of the TRC and the ASEAN Secretariat have requested the consultant help design and conduct training programs to ensure smooth transition in member countries in the application of the revised AHTN. These activities are reflected in the Fourth Semi-Annual Work Plan.

The consultant conducted learning-while-doing exercises with the ASEAN Secretariat for eight days following the TRC meeting in November. Specifically they worked on updating the AHTN for 2007, incorporating correlation tables, and updating and improving the ASEAN Subheading Explanatory Notes.

Progress in Achieving Performance Indicators

This activity stream's performance indicators are increased integration and harmonization of ASEAN customs structures. To measure progress in achieving these indicators, the ASEAN-US Facility is tracking the degree to which ASEAN agreement has been reached to update and simplify the AHTN. The TRC has made significant progress in agreeing to changes in Chapters 1 through 85 of the AHTN. The TRC expects to complete its work on the remaining 11 chapters before the middle of 2006.

Single Window Sub-stream

Related VAP Directive

VAP Section 2.3.5.1 calls for the integration of customs structures in ASEAN, including the development of the Single Window approach. The Single Window is to "modernize customs procedures and practices and improve customs control and compliance in cooperation with line ministries and businesses through the implementation of defined programs of the 2005-2010 ASEAN Strategic Plan of Customs Development."

Activities

The Secretary General asked the ASEAN-US Facility to assist ASEAN's efforts to implement the Single Window. The Single Window is a system that "allows traders to lodge information with a single body to fulfill all import or export related regulatory requirements."

In December 2005 ASEAN Member Countries signed an Agreement to Establish and Implement the ASEAN Single Window. Under Article 5 of the Agreement, Member Countries are to develop and implement their National Single Windows in a timely manner for the establishment of the ASEAN Single Window. Brunei Darussalam, Indonesia, Malaysia, Philippines, Thailand and Singapore are to operationalize their National Single Windows by 2008 at the latest. Cambodia, Lao PDR, Viet Nam and Myanmar are to do so by no later than 2012. Article 6 of the Agreement requires Member Countries to adopt relevant internationally accepted standards, procedures, documents, technical details and formalities for effective implementation of the ASEAN Single Window. To that end the Secretariat has drafted a protocol with detailed guidelines which should be approved by Finance Ministers in April 2006. Since National Single Windows are to correspond to international standards, the ASEAN Single Window will emerge from unification of the National Windows. As Article 1 of the Agreement indicates, "the ASEAN Single Window is the environment where National Single Windows of Member Countries operate and integrate." The Philippines and Thailand are jointly undertaking a pilot program from which other ASEAN member countries can learn.

Implementation of a Single Window requires data harmonization at the national level and corresponding harmonization at the international level based on the World Customs Organization Framework of Standards, the UN Center for Trade Facilitation and Electronic Business (CEFACT) Recommendation and Guidelines for Establishing a Single Window, and the UN Trade Data Elements Directory. Discussions have been undertaken with the Senior Officer for Customs at the ASEAN Secretariat, and, at his recommendation, William Nolles, a US Customs expert on the Single Window. Nolles is directly involved with implementation of the US Single Window and is drafting guidelines for the UN CEFACT for implementation of the Single Window. Nolles will be conducting training on the Single Window and has agreed, in principle, also to do so with the ASEAN Secretariat and Member Countries. A training activity approved in the Third Work Plan would include a two-day workshop with government and private sector officials and two days of meetings with technical experts on implementation issues.

Progress in Achieving Performance Indicators

This activity stream's performance indicator is increased harmonization of customs structures. To measure in achieving the indicator the ASEAN-US Facility will track the degree to which related work plans are adopted and progress is made toward implementing ASEAN Single Window (i.e., the recognition of practical steps necessary to implement a Single Window and measures taken to implement the Single Window). Progress will be reported after the Facility's initial activity under this sub-stream takes place, expected within the next six months.

Rules of Origin Sub-stream

Related VAP Directive

VAP section 2.3.5.2 calls for continuously strengthening the Common Effective Preferential Tariff (CEPT) Scheme for Rules of Origin (ROO) by making it “more transparent, predictable, and standardized, taking into account the best practices of other Regional Trading Arrangements (RTAs), including WTO ROO, and adopting substantial transformation as alternative criteria for conferring origin status.”

Activity

Each of the three Trade Negotiations Training programs conducted under the Facility included substantial coverage of rules of origin. Feedback from these training sessions indicated a desire among the ASEAN Secretariat and Member Country trade officials to have more in-depth training in rules of origin. Nathan Associates Consultant Peter Minor also highlighted the importance of rules of origin in his January 2006 study on the Integration of the ASEAN Textile and Apparel Industries in the Post-quota Era. He recommended that rules of origin be reviewed to ensure that they permit full leveraging of regional strengths and industry integration.

The ASEAN rule of origin is based on the value added in the ASEAN region. Some Free Trade Agreements (FTA), however, use a “substantial transformation” or “change in tariff classification” rule to determine origin. As the “substantial transformation” rule might be used by some of the partners with which ASEAN or ASEAN Member Countries negotiate FTA’s, the implications of possibly switching to such a rule for ASEAN trade and integration should be more clearly understood. To refine a policy study envisaged in the Facility’s First Semi-Annual Work Plan, the ASEAN Secretariat has requested a study on the implications for ASEAN trade and integration of using different rules of origin, such as possibly switching from a value added to substantial transformation rule of origin as cited in VAP 2.3.5.2. A consultant would produce such a study, providing a conceptual discussion supported by examples drawn from ASEAN trade. The study should outline policy implications of such a change and recommendations to mitigate any adverse effects on ASEAN trade and regional integration. The consultant would present the results to an ASEAN workshop proposed in the Fourth Semi-Annual Work Plan.

Progress in Achieving Performance Indicators

This activity stream’s performance indicators are transparent, predictable rules of origin that promote trade and regional integration. The ASEAN-US Facility will measure progress in achieving these indicators by tracking movements in that direction at the policy level as well as in implementation. Results of the training sessions on trade negotiations suggest an awareness of the importance of transparent, predictable rules of origin.

Non-Tariff Measures Sub-stream

Related VAP Directive

VAP Section 2.3.2 calls for (a) full transparency of non-tariff measures (NTMs) through an ASEAN data base; (b) clear criteria to identify NTMs that are barriers to trade and for their elimination; (c) a clear and definitive work program for the removal of these barriers; (d) adoption and compliance with WTO Agreements on Technical Barriers to Trade (TBT), Sanitary and Phyto-Sanitary and Import Licensing Procedures, along with implementation guidelines deemed appropriate for ASEAN.

Activities

As agreement on a work plan for implementation of the VAP provisions on NTMs should be agreed this spring, the proposed Fourth Semi-Annual Work Plan presents an activity to assist the ASEAN Secretariat to facilitate and track implementation.

Progress in Achieving Performance Indicators

This activity stream's performance indicators include identification of and progress to remove NTBs. To measure progress toward achieving these indicators, the ASEAN-US Facility will track implementation of the work plan to inventory NTMs, identify those that are trade barriers, and progress toward eliminating such non-tariff barriers to trade. The Facility will report on progress after the initial activity under this sub-stream is implemented, proposed in the Fourth Semi-Annual Work Plan.

TRADE IN SERVICES ACTIVITY STREAM

Related VAP Directive

Section 2.4.1 of the VAP directs ASEAN Member Countries to accelerate regional integration towards creating a single market in services through progressive liberalization earlier than 2020. According to the VAP Annex, member countries are committed to achieve the free flow of trade in services by 2010. Technical assistance and training that the ASEAN-US Facility provides under the Trade in Services Activity Stream is designed to build ASEAN capacity to liberalize trade in services through raising awareness of the benefits of liberalization and methods for doing so that can be applied regionally in the ASEAN Framework Agreement on Services and internationally in the General Agreement on Trade in Services (GATS).

Activity

The ASEAN-US Facility completed one activity (Training Activity 2) under this activity stream. In April 2005 in Kuala Lumpur, the ASEAN-US Facility conducted a one day training seminar on services. Approximately 140 people attended, including ASEAN Member Country government and private sector representatives (5-7 representatives from each of the 10 member countries plus additional participants from Malaysia) and relevant technical staff from the Secretariat. All training course sessions spoke to the importance of liberalizing services trade. Specifically, they covered the importance of the service sector

for the overall economy, a review of the WTO and GATS, an overview of services in the United States, current trade in services negotiations, and the relevance of the services sector to developing countries.

Two common themes emerged as suggestions/requests for follow-on activities. One was for training on scheduling; the other was for specific follow-on work in the priority services sectors, especially healthcare and information technology. Other requests were for follow-on assistance in the areas of dispute settlement and on negotiations. In response to related ASEAN Secretariat staff requests, the ASEAN-US Facility will schedule an already approved training on scheduling of services commitments and, in the Fourth Semi-Annual Work Plan, proposes training on mutual recognition agreements covering specific sectors and replicating the 2005 general training seminar in 2006 and 2007.

Progress in Achieving Performance Indicators

The performance indicators for this activity stream are increased awareness of the benefits to ASEAN of liberalizing trade in services and measures taken to open trade in services. The ASEAN-US Facility will measure progress in achieving these indicators by tracking: (1) the number of ASEAN Member Country government and private sector representatives and Secretariat staff members trained as regards the importance of liberalizing trade in services; (2) perceived increase in support in ASEAN for liberalizing ASEAN trade in services through semi-annual surveys of relevant Secretariat staff; and (3) increased scheduling commitments made to liberalize services and agreements on mutual recognition agreements. Secretariat staff report that they perceive some increase in support in ASEAN for liberalizing ASEAN trade in services during the performance period but that additional, sector specific, effort under this activity stream will be required to make significant progress toward meeting this performance indicator.

TRADE NEGOTIATIONS ACTIVITY STREAM

Related VAP Directive

VAP provisions for sector integration (2.1), trade in goods (2.3) and trade in services (2.4) all entail negotiations to eliminate barriers to trade within the ASEAN region in a manner consistent with Member Country obligations under the World Trade Organization. In addition, pursuant to Section 2.12 of the VAP, ASEAN is to strengthen linkages and promote “the coherence of agreements with major trading partners such as China, Japan, Korea, the US, Australia, New Zealand and the EU and emerging economies such as India.” These efforts could lead to establishment of “Free Trade Areas (FTA’s) and Closer Economic Partnerships.” The technical assistance and training that the ASEAN-US Facility provides under the Trade Negotiations Activity Stream is designed to produce more, well-prepared ASEAN trade negotiators. Such negotiators will achieve better internal ASEAN agreements to support integration of the priority sectors and complementary agreements with external partners in a manner consistent with Member Country WTO obligations.

Activities

The ASEAN-US Facility has conducted three trade negotiations training seminars, training over 100 negotiators and Secretariat staff. The usefulness and interest in this training has led to a request from the ASEAN Secretariat for additional training at the basic and advanced levels. These activities are proposed in the Fourth Semi-Annual Work Plan.

Seiji Naya and Michael Plummer of the East-West Center and Johns Hopkins School of Advanced International Studies, respectively, completed a study the Facility commissioned for ASEAN. In March 2005 Plummer presented the findings of the “Economics of the Enterprise for ASEAN Initiative” to an Assistant U.S. Trade Representative-ASEAN Senior Economic Officers Meeting (SEOM). During the presentation SEOM raised questions, similar to those raised by the Facility, regarding the potential effects of the Enterprise for ASEAN Initiative on ASEAN, ASEAN integration efforts, and on the CLMV. Plummer and Naya revised the paper and the ASEAN-US Facility assisted them in submitting it to the Federation of ASEAN Economic Associations (FAEA) for presentation at its annual meeting in November. At that meeting Plummer introduced the paper, conducted a workshop on its methodology, and chaired a separate session on “China and India in the Regional Economy.”

Major policy lessons learned from the study of particular relevance to ASEAN were that:

1. Bilateral FTA's are a reality for ASEAN, but it is important that they not harm economic cohesion within ASEAN. Such harm can be avoided by (a) deeper integration within ASEAN (e.g. through the ASEAN Economic Community) and (b) open bilateral FTA's.
2. Regionalism in ASEAN's key markets is potentially threatening to ASEAN growth and development. To “regain” MFN status and better compete with China, bilateral FTA's with the United States, in particular, and Japan and the EU have merit.
3. ASEAN is important to the United States for economic and non-economic reasons. Given the new aggressiveness of China and Japan in the region, the United States ignores ASEAN at its own peril. The Enterprise for ASEAN Initiative is a step in the right direction.
4. Transitional ASEAN economies have the greatest potential benefits from FTA's with the United States by increasing exports that can also contribute to beneficial structural reforms.

Progress in Achieving Performance Indicators

This activity stream's performance indicator is better trained ASEAN trade negotiators. The ASEAN-US Facility uses two basic measures to track progress in achieving this indicator: (1) the number of negotiators trained as reported in project activity reports; and (2) whether or not negotiating skills of ASEAN trade negotiators have improved in the aggregate as reported in semi-annual surveys of Secretariat staff with responsibility for trade negotiations. The Facility will work with the Secretariat to more precisely assess the results of previous training activities.

The policy study completed during this performance period, together with discussions of its conclusions with government policy officials and economists, have contributed to increased awareness of the

importance of ASEAN integration and implications of alternative trade policy options to negotiators as ASEAN seeks trade arrangements with countries outside the region.

TRADE-RELATED COORDINATION & DIALOG ACTIVITY STREAM

Related VAP Directive

The broad scope of the VAP's provisions and implementation work programs places a premium on intra-ASEAN coordination and consultation with the private sectors. Under VAP 5.2 the ASEAN Secretariat is to facilitate consultations on project design, management and implementation. VAP 5.2 also calls for the involvement of private sector stakeholders in addressing approaches and mechanisms for project design and implementation.

This activity stream is designed to support ASEAN efforts to respond to the VAP directives to strengthen intra-ASEAN coordination and consultation and explore ways of better involving the private sector. Experience suggests that consultation with the private sector at an early stage on policies before their adoption can help ensure better policy decisions and more effective implementation. Strengthening the consultative mechanism between the ASEAN Secretariat, Member Country officials and the private sector could lead to (1) improved coordinated implementation of complementary, effective roadmaps for integration of the eleven priority sectors; and (2) foster complementary and effective trade agreements that support that implementation. Because both of these *VAP* objectives involve trade, the activity stream focuses specifically on trade-related consultations.

This activity stream treats coordination and dialogue (a) within ASEAN Secretariat and between ASEAN officials and (b) between ASEAN officials the private sector representatives as separate, but converging tracks. The Resident Trade Specialist has worked with Secretariat staff and private sector representatives to assess the current formal and informal consultation mechanisms in ASEAN and models that might inform efforts to improve the current mechanisms.

Activities

Technical instructions for two intra-ASEAN coordination activities approved in the previous Work Plan have been refined based on discussions with Secretariat staff and the Facility's experience in this area. With nearly 800 meetings a year on topics that overlap, there is a need to ensure the best possible coordination of issues within the ASEAN Secretariat, between the ASEAN Secretariat and Member Countries, and among the member countries. A management consultant will examine current mechanisms and procedures for ASEAN economic coordination, decision-making and other institutional arrangements, explore other models for possible improvement, and make recommendations on how they could be adapted to ASEAN circumstances. The consultant would workshop findings with ASEAN Secretariat senior management, with a view toward reaching a conclusion on the best way for ASEAN to proceed.

Technical instructions for a public-private sector dialogue activity also have been refined based on discussions with Secretariat staff about the Facility's experience in this area. Private sector contributions to consultations with ASEAN member countries and the Secretariat on the ASEAN Economic Community (AEC) have tended to reflect national interests rather than an ASEAN regional perspective. To elicit a regional perspective, the ASEAN Secretariat will convene a high-level ASEAN Business Roundtable of multinational firms with activities in several ASEAN member countries. Discussion topics could include the AEC, whether it is on track, areas of possible improvement, and the wisdom of accelerating the target date of achieving the AEC from 2020 to 2015. Participating firms would be drawn from ASEAN Member Countries but are also likely to be from countries outside the region, such as Japan, China, the United States, Australia and the European Union. Approximately 20-30 senior members of such multinational companies would gather for a two-day session. The ASEAN Secretariat would host, set the agenda, lead the discussions together with notable experts, record the conclusions, and develop recommendations for follow up. The Secretariat would submit a report to the SEOM or other groups, as appropriate.

Progress in Achieving Performance Indicators

The performance indicators for this activity stream include improved public-private sector consultation and internal coordination in the ASEAN trade-related policy-making process. The ASEAN-US Facility is measuring progress toward achieving these indicators by tracking increased attention to ways to improve coordination among the various ASEAN entities and officials and need for private sector input in regional policy making. Agreeing to an outside assessment of intra-ASEAN coordination and sponsoring a major Business Roundtable focusing on strategic objectives are clear indications of more attention being devoted to coordination and business input.

STRENGTHENED SECRETARIAT RESOURCES ACTIVITY STREAM

Related VAP Directive

As laid out in *The ASEAN Secretariat: Basic Mandate, Functions and Composition (Secretariat's Mandate)*, the Secretariat's mandate is "to initiate, advise, coordinate, and implement ASEAN activities" and "to function as coordinating Secretariat to help facilitate effective decision-making within and amongst ASEAN bodies." In other words, the Secretariat is tasked to provide technical input and to facilitate effective decision-making in ASEAN to implement the VAP. The focus of the Strengthened Secretariat Resources Activity Stream is on expanding the capacity of Secretariat staff to play those roles covering virtually all VAP directives.

Baseline information collected at the inception of the ASEAN-US Facility indicated that the Secretariat needed assistance to optimally perform those duties. ASEAN Secretariat resources are severely strained. The Secretariat is staffed by 50 professionals who are openly recruited throughout ASEAN and by 80 who are recruited locally. Those professionals serve a multitude of coordinating committees and working groups, as

well as high level ASEAN bodies like the Senior Economic Officials Meeting, the ASEAN Economic Ministers, and the Summits of Heads of State and Government. The ASEAN Secretariat staff report that they staffed nearly 800 ASEAN meetings last year. Technical assistance and training that the Facility provides is designed to help build skills and capacity in the ASEAN Secretariat so that it can better and more efficiently fulfill its duties to support implementation of the VAP.

Activities

During the reporting period the ASEAN-US Facility completed two management training activities. Two ASEAN Human Resource officials, Henry Gultom and Mardiah Hayati, were supported by the ASEAN-US Facility to take a course in Fundamentals of Human Resource Management conducted by the American Management Association. The seminars covered such topics as Pre-employment and Employment Testing, Performance Management, Employee Relations, Training and Development, Human Resources Information Systems, and Strategic HR Management Planning.

The following ongoing activities were approved in previous work plans:³

5. ASAOP. The Facility supports the ASEAN Secretariat Associate Officer Program (ASAOP) designed to provide exposure to young ASEAN professionals to ASEAN's aspiration, goals and activities. The Facility funded the two associate officers selected for 2005-2006 and proposes in the Fourth Semi-Annual Work Plan to extend the activity to fund the next annual cycle of two professionals.
6. Project Monitoring System (PMS). In response to the ASEAN Secretariat's desire to update and enhance its PMS, the ASEAN-US Facility has identified a local ASEAN computer contractor, with the assistance of the ASEAN Secretariat and USAID experts, to: (a) identify and correct the existing errors in the PMS; (b) enhance the system through the addition of several new functions that correspond to ASEAN Secretariat's future needs while allowing flexibility for possible future adjustment; (c) reduce time consumed for inputting project details; and (d) redesign the PMS in line with user's requirements. The consultant is expected to conduct the work in May.
7. Internal Secretariat IT Infrastructure. International telecommunications (IT) network specialists are being selected to assess the existing network and its security and provide a set of recommendations to improve the operational capacity of the network with a particular focus on improving email, internet access, the ability to access software applications. Depending on the result of this work the Facility may support measures to upgrade the ASEAN Secretariat's IT system.
8. Counterterrorism Unit Short Term Consultation. Mr. Charles Lim, a Singaporean citizen with over 30 years of experience working in security, is currently working with the ASEAN Secretariat staff in charge of transnational crime. Based on interviews with member country officials, he will draw up recommendations for regional actions on transnational crime, concentrating on counter terrorism. This initial work is scheduled to be completed by April 2006.

³ For additional details regarding these activities see previous work plans and related technical instructions.

9. ARF Unit Peacemaking and Preventative Diplomacy Training. The ASEAN-US Facility is funding the participation of two members of the Secretariat's ARF Unit staff in the Program in Peacemaking and Preventive Diplomacy to be conducted by the United Nations Institute for Training and Research in June 2006. The course participants should be able to apply their training in support of VAP objectives to promote conflict prevention and resolution as well as post-conflict peace keeping.
10. ARF Unit Website Design and Networking Training. The ASEAN-US Facility is funding the participation of one member of the Secretariat's ARF Unit staff in a web basic and web design and networking course. Completion of this course will allow the staff member to take over responsibility for uploading documents into the ARFNet. The course runs 3 hours per day for about 7.5 months and consists of two modules: Web Course Basic Level and Web Professional Course.

Progress in Achieving Performance Indicators

The performance indicator for this activity stream is increased Secretariat capacity to support implementation of the VAP. The ASEAN-US Facility is measuring progress toward achieving this indicator by tracking the number of Secretariat staff members who receive training designed to increase their capacity to support VAP implementation, through improvements in IT infrastructure, and through semi-annual surveys of senior Secretariat staff.

- 1 The completed management training and ongoing ASAOP have increased the Secretariat's capacity to support VAP implementation. The two human resources management trainees have reported the various ways in which the training assists them in their day-to-day operations, and the Bureau of Finance and Integration Support, where both of the US-supported ASAOP officers work, is seeking to hire one full time and regrets that the other must to his IMF position in Lao because of his contribution to the Bureau's work.
- 2 Selection of the IT firms to perform a diagnostic on the ASEAN Secretariat's IT systems is an important step toward possible effective improvement in the operation of the Secretariat's systems.
- 3 Senior Secretariat staff report that the activities completed and others ongoing under this activity stream during the review period have increased Secretariat capacity to support implementation of the VAP.

ASEAN-US Technical Assistance and Training Facility

Performance Monitoring Framework

RDMA Strategic Framework A. Improved Regional Governance and Economic Reform /1						
PC 4. Increase participation in global trade and investment						
ASEAN-US Technical Assistance and Training Facility Activity Streams						
Trade Negotiations	Trade-related Coordination & Dialog	Customs & Trade Facilitation	Investment	Trade in Services Activity Stream	Priority Sector Integration	Strengthened Human Resources Activity Stream
ASEAN Vientiane Action Programme Directives						
2.12. Economic Relations with Dialogue Partners... efforts will be made to strengthen external economic relations...with major Dialogue Partners...through the establishment of FTAs and Closer Economic Partnerships...promoting the coherence of agreements with major trading partners.	5. 2.Institutional Arrangements...The ASEAN Secretariat will facilitate the consultation process among ASEAN bodies and seek the most efficient modality in setting up the appropriate institutional arrangement at the programme/project level. Approaches and mechanisms to closely involve other ASEAN stakeholders, including the private sector and civil society, must also be addressed.	2.3.5.1 Customs: Integrate customs structures in ASEAN. 2.3.5.2 Rules of Origin: Transparent, predictable, standardize 2.3.2 NTMs: Transparency and removal of NTBs.	2.2.ASEAN Investment Area ...Implementation of the AIA will be intensified...liberalization...improve the investment environment...adopt a strategic promotion programme...	2.4.1. Trade in Services...Accelerate regional integration towards creating a single market in services through progressive liberalization...	2.1. Eleven Priority Integration Sectors...textiles and apparel, ICT, healthcare...a roadmap will serve as the basis for economic integration of each of the priority sectors...	5.Implementation Mechanisms...Strengthen existing institutions
Performance Indicators						
Better prepared ASEAN Member Country trade negotiators.	Improved public-private sector consultation and internal coordination in ASEAN trade-related policy making process.	Increased harmonization of customs structures; Transparent, predictable rules of origin; Identification and progress to remove NTBs.	Increased effort toward liberalization and investment facilitation and promotion through improved environment. and regional investment promotion.	Increased awareness of the benefits to ASEAN of liberalizing trade in services.	Progress toward integrating the ASEAN textile and apparel products, ICT and healthcare sectors.	Increased Secretariat capacity to support implementation of the VAP.
Measures of Progress Toward Achievement of Performance Indicators						
1. Number of negotiators trained	1. Increased attention to improving intra-ASEAN coordination.	1. Number of AHTN Chapters where progress achieved toward harmonization. 2. Adoption of work plans and progress toward implementing ASEAN Single Window. 3. Movement toward effective, predictable rules of origin. 4. Implementation of work plan to identify NTMs as trade barriers and progress toward eliminating NTMs.	1. Progress toward implementation of the ASEAN Investment Agreement.	1. Number of ASEAN Member Country government and private sector representatives and Secretariat staff trained.	1. Integration road map improved in Phased II and finalized.	1. Number of Secretariat staff who receive training designed to increase their capacity to support VAP implementation.
2. Report in semi-annual surveys of Secretariat staff responsible for trade in goods, services and investment negotiations on the degree of improvement of ASEAN Member Country negotiator skills.	1. Increased attention to improving private sector input.	2. Report in semi-annual surveys of Secretariat staff and our experts whether progress has been made toward achieving the performance indicator.	2. Report in semi-annual surveys of Secretariat staff and our experts whether progress has been made toward achieving the performance indicator.	2. Report in semi-annual surveys of Secretariat staff whether or not support in ASEAN for liberalizing trade in services has increased.	2. Report in semi-annual surveys of Secretariat staff, private sector representatives and our experts as to whether progress has been made toward implementing the integration roadmap.	2. Report in semi-annual surveys of senior Secretariat staff whether or not progress has been made toward achieving the performance indicator.